

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

In re: Subpoena of DJO, LLC in the
matter of

ORTHOFIX, INC.,

Plaintiff/Counter-
Defendant,

v.

ERIC W. HUNTER,

Defendant/Counter-
Plaintiff.

In re: Subpoena of DJO, LLC in the
matter of

ORTHOFIX, INC.,

Plaintiff/Counter-
Defendant,

v.

ROBERT LEMANSKI,

Defendant/Counter-
Plaintiff.

Case No. 13CV2004-MMA(JMA)

13CV2268-MMA(JMA)

**ORDER GRANTING IN PART
AND DENYING IN PART NON-
PARTY DJO, LLC'S MOTIONS
TO QUASH SUBPOENAS**

Non-party DJO, LLC ("DJO") has filed two motions to quash in
relation to two subpoenas that were issued by Plaintiff Orthofix, Inc.

1 (“Orthofix”) in connection with two lawsuits initiated by Orthofix against its
 2 former, and DJO’s current, employees Eric W. Hunter (“Hunter”) and
 3 Robert Lemanski (“Lemanski”). The litigation against Hunter is pending in
 4 the United States District Court, Northern District of Ohio, Western Division,
 5 *Orthofix, Inc. v. Hunter*, Case No. 13-CV-828-JZ (“the *Hunter* case”). The
 6 case against Lemanski is pending in the United States District Court,
 7 Eastern District of Michigan, Southern Division, *Orthofix, Inc. v. Lemanski*,
 8 Case No. 13-CV-11421-SJM-RSW (“the *Lemanski* case”). The subpoenas
 9 were issued out of the United States District Court, Southern District of
 10 California by counsel for Orthofix and command DJO to produce and
 11 permit inspection of certain documents.

12 After the motions to quash were filed, counsel for Orthofix and DJO
 13 were ordered to meet and confer regarding all disputed issues and, if the
 14 meet and confer did not resolve all issues, with respect to the *Hunter* case,
 15 to file a joint statement entitled “Joint Supplemental Statement Regarding
 16 Corrected and Amended Motion to Quash Subpoena” (“Joint Statement”)
 17 informing the Court as to which issues remained in dispute. Briefing for the
 18 Motion to Quash the subpoena issued in connection with the *Hunter* case
 19 consists of: DJO's Corrected and Amended Partial Motion to Quash
 20 [*Orthofix, Inc. v. Hunter*, Case No. 13CV2004-MMA(JMA) (S.D. Cal.), Doc.
 21 No. 2]; Orthofix's Opposition [*Id.*, Doc. No. 6]; DJO's Reply [*Id.*, Doc. No. 7];
 22 and the parties' Joint Statement [*Id.*, Doc. No. 10]. With respect to the
 23 *Lemanski* case, counsel were ordered to file a Joint Motion for
 24 Determination of Discovery Dispute ("Joint Motion"), which addresses all
 25 remaining disputed issues and supercedes DJO's Motion to Quash
 26 Subpoena. [*Orthofix., Inc. v. Lemanski*, Case No. 13CV2268-MMA(JMA)
 27 (S.D. Cal.), Doc. No. 7.] As explained in the Joint Statement and Joint
 28 Motion, counsel have substantially narrowed the scope of the disputed

1 issues through the meet and confer process; however, Orthofix and DJO
2 were not able to reach agreement on three of the document requests in
3 Orthofix's Subpoenas: Requests Nos. 1, 7, and 9. [13CV2004-MMA(JMA)
4 (S.D. Cal.), Doc. No. 10; 13CV2268-MMA(JMA) (S.D. Cal.), Doc. No. 7 &
5 7-1.]

6 **I. FACTUAL & PROCEDURAL BACKGROUND**

7 Hunter and Lemanski are former employees of Orthofix, and are
8 alleged to have sold bone-growth stimulators on behalf of Orthofix for a
9 combined nineteen years. These products help patients recover after
10 surgery by helping fractures to fuse more quickly. They are used by a
11 specialized subset of surgeons on a small portion of their patients based on
12 the unique prescribing criteria established by a given surgeon in
13 consultation with Orthofix sales representatives like Hunter and Lemanski.
14 Orthofix claims that since Hunter and Lemanski departed the company, it
15 has suffered a drastic loss of sales of these products, reaching into the
16 millions of dollars. Orthofix believes these sales have been redirected to
17 DJO by Hunter and Lemanski using their knowledge of Orthofix's
18 customers, including purchasing histories, product preferences and
19 prescription patterns they obtained while employed by Orthofix. Orthofix
20 contends that in order to conceal the violations of their contractual and
21 common law duties, Hunter and Lemanski ostensibly sell other DJO
22 products while introducing other DJO employees to their respective former
23 Orthofix customers, and while sharing Orthofix's confidential and trade
24 secret customer information with the other DJO employees, who then
25 receive the credit for the bone-growth stimulator sales.

26 In the *Hunter* and *Lemanski* cases, Orthofix alleges its former
27 employees breached agreements each entered into when they became
28 Orthofix employees. Hunter signed an Agreement of Non-Competition,

Confidential Information, Inventions (“the Hunter Agreement”), which was entered into on March 20, 2000. [13CV2004-MMA(JMA) (S.D. Cal.), Doc. No. 2-3] The Hunter Agreement, as reformed by the Northern District of Ohio, provides that, for one year after he leaves Orthofix, Hunter will not “directly or indirectly, solicit sales on behalf of, or assist another in soliciting sales on behalf of any enterprise or individual engaged in production of equipment for or rendering the service of invasive or non-invasive spine or bone healing, within a 100 mile radius of [Hunter]’s home.”¹ [13-CV-828-JZ (N.D. Ohio), Doc. No. 47.] The Hunter Agreement also prohibits Hunter from using confidential information that was acquired during the course of his employment after his separation from Orthofix. [13CV2004-MMA(JMA) (S.D. Cal.), Doc. No. 2-3, Art. 2.] The Sales Agreement (“the Lemanski Agreement”) entered into by Lemanski is dated March 13, 2006 and prohibits Lemanski from directly or indirectly soliciting his former Orthofix customers and from disclosing or using Orthofix’s confidential information and trade secrets after his departure. [13CV2268-MMA(JMA) (S.D. Cal.), Doc. No. 7 & 7-1.]

In the *Hunter* case, Orthofix has asserted causes of action for breaches of the non-compete and non-disclosure provisions of the Hunter Agreement, as well as misappropriation of trade secrets and tortious interference with business relations. [13-CV-828-JZ (N.D. Ohio), Doc. No. 24 (First Amended Complaint).] In the *Lemanski* case, Orthofix’s causes of action are for breaches of the unfair competition, non-solicitation and non-disclosure provisions of the Lemanski Agreement, as well as misappropriation of trade secrets and tortious interference with business

¹ This provision (the “Restrictive Covenant”) was originally silent on both scope of geographic reach and scope of prohibited activity. As originally written, the Restrictive Covenant would prohibit Hunter from engaging in any job for any competitor anywhere in the world. On October 21, 2013, however, the Northern District of Ohio reformed the Hunter Agreement pursuant to the parties’ Agreed Order.

relations. [13-CV-11421-SJM-RSW (E.D. Mich.), Doc. No. 9 (First Amended Complaint).]

II. LEGAL STANDARD

Federal Rule of Civil Procedure 45 governs discovery of non-parties by subpoena. See Fed. R. Civ. P. 45. A non-party witness is subject to the same scope of discovery under Rule 45 as a party is under Rule 34. See Fed. R. Civ. P. 45 (Advisory Committee's note to the 1970 amendments). Under Rule 34, the rule governing the production of documents between parties, the proper scope of discovery is as specified in Rule 26(b). Fed. R. Civ. P. 34. Rule 26(b), in turn, permits the discovery of any non-privileged material "relevant to any party's claim or defense...." Fed. R. Civ. P. 26(b)(1). Relevance, for the purposes of discovery, is defined broadly and "[r]elevant information need not be admissible at trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence." *Id.*

In addition to the discovery standards under Rule 26 that are incorporated by Rule 45, Rule 45 itself provides that "on timely motion, the court for the district where compliance is required must quash or modify a subpoena that... subjects a person to undue burden." Fed. R. Civ. P. 45(d)(3)(A)(iv). In determining whether a subpoena poses an undue burden, courts "weigh the burden to the subpoenaed party against the value of the information to the serving party." *Travelers Indem. Co. v. Metropolitan Life Insur. Co.*, 288 F.R.D. 111, 113 (D. Conn. 2005); *Moon v. SCP Pool Corp.*, 232 F.R.D. 633, 637 (C.D. Cal. 2005). Generally, this requires consideration of "relevance, the need of the party for the documents, the breadth of the document request, the time period covered by it, the particularity with which the documents are described and the

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1 burden imposed." *Id.* (quoting *United States v. IBM*, 83 F.R.D. 97, 104
2 (S.D.N.Y. 1979)).

3 Rule 45(d)(3)(B)(i) also permits the Court to quash or modify the
4 subpoena if it requires disclosing a trade secret or other confidential
5 research, development, or commercial information. Once the nonparty
6 shows that the requested information is a trade secret or confidential
7 commercial information, the burden shifts to the requesting party to show a
8 "substantial need for the testimony or material that cannot be otherwise
9 met without undue hardship; and ensures that subpoenaed person will be
10 reasonably compensated." Rule 45(d)(3)(C)(i)&(ii). Upon such a showing,
11 the court may order appearance or production under specified conditions.
12 *Id.* See also *Klay v. Humana*, 425 F.3d 977, 983 (11th Cir. 2005); *Heat &*
13 *Control, Inc. v. Hester Industries, Inc.*, 785 F.2d 1017, 1025 (Fed. Cir.
14 1986). Trade secret or commercially sensitive information must be
15 "important proprietary information" and the party challenging the subpoena
16 must make "a strong showing that it has historically sought to maintain the
17 confidentiality of this information." *Compaq Computer Corp. v. Packard Bell*
18 *Elec., Inc.*, 163 F.R.D. 329, 338 (N.D. Cal. 1995).

19 **III. DISCUSSION**

20 The subpoenas issued in the *Hunter* and *Lemanski* cases are
21 virtually identical. Other than the substitution of the name "Lemanski" for
22 the name "Hunter," the document requests in the two subpoenas are
23 identical. Likewise, the dispute between Orthofix and DJO as to each
24 document request is the same, so the Court will address both subpoenas
25 together.

26 **A. *Request No. 1***

27 Request No. 1 of the Subpoenas calls for:

28 Documents, including commission reports, reflecting the total
monthly sales made to the customers on the list attached

1 hereto as Attachment 1, identified by product model name and
2 number and sales representative(s), from January 1, 2011 to
3 the present.

4 Attachment 1 to the respective subpoenas is a list of 73 persons and
5 entities and is designated by Orthofix as "Confidential – Subject to
6 Protective Order." The lists attached to the subpoenas are identical.

7 DJO contends its sales records are confidential and proprietary trade
8 secrets. [13CV2268-MMA(JMA) (S.D. Cal.), Doc. No. 7-3 (Affidavit of
9 Jeffery Blazeovich), ¶ 7.] As detailed in that affidavit, "[t]he type of sales
10 records sought by Request 1 are documents that DJO maintains in
11 confidence and does not publicly disclose." *Id.* Orthofix does not dispute
12 these are sensitive and confidential documents.

13 Because the sales records are confidential, the burden shifts to
14 Orthofix to show a 'substantial need' for this information. *Gonzales v.*
15 *Google, Inc.*, 234 F.R.D. 674, 684 (N.D. Cal. 2006). Orthofix argues it
16 needs the requested sales records because DJO has structured
17 Lemanski's role such that he has called on his former Orthofix customers
18 along with another DJO employee who acts as the salesperson of record.
19 [13CV2268-MMA(JMA) (S.D. Cal.), Doc. No. 7, p. 7.] Sales conducted in
20 this manner would violate Lemanski's contractual prohibition against
21 indirectly soliciting his former customers but would not be reflected in his
22 commission records, the only sales records DJO has agreed to produce.
23 Hunter is also alleged to have contacted his former Orthofix customers and
24 to have shared Orthofix's confidential and proprietary information and trade
25 secrets with other DJO employees in order for them to assist him in
26 stealing the customers. [13CV2004-MMA(JMA) (S.D. Cal.), Doc. No. 6, p.
27 6.]

28 Orthofix seeks the sales records because evidence of Hunter's and
Lemanski's alleged solicitation of their former Orthofix customers and

1 disclosure or use of Orthofix's confidential information and trade secrets
2 would be reflected by changes in DJO's total sales of bone-growth
3 stimulators to their former Orthofix customers from the periods before and
4 after they joined DJO. Increases in DJO's sales to these accounts, coupled
5 with the drastic decreases in Orthofix's sales, Orthofix argues, are strong
6 evidence of Hunter's and Lemanski's solicitation of their former Orthofix
7 customers and/or their disclosure of Orthofix's confidential information to
8 allow others to do so.

9 DJO has agreed to produce commission reports reflecting Hunter's
10 and Lemanski's sales of products to their respective former customers for
11 the period November 14, 2012 (the date they both commenced
12 employment with DJO) to the present, but contends the request is
13 overbroad in that: 1) it seeks all of DJO's sales records for 73 persons and
14 entities, regardless of whether Hunter or Lemanski were involved in those
15 sales, and regardless of whether either man ever called on those
16 customers for Orthofix; and 2) it seeks records dating back to January 2011
17 – nearly two years before Hunter and Lemanski began working for DJO.

18 With respect to DJO's first objection, records of sales to customers
19 who were serviced by Hunter or Lemanski while they were employed with
20 Orthofix are clearly relevant to Orthofix's claims. This includes DJO's
21 records of sales to Hunter's or Lemanski's former Orthofix customers,
22 irrespective of whether either Hunter or Lemanski received a commission
23 or other credit for the sale made by DJO, as these records are relevant to
24 Orthofix's claim that Hunter and Lemanski violated the contractual
25 prohibition against directly *or indirectly* soliciting their former customers.
26 DJO claims, however, the list of 73 persons and entities for which records
27 are sought in connection with the *Lemanski* case includes Orthofix
28 customers with which Lemanski was not involved. The same argument is

1 raised with respect to the *Hunter* subpoena. Orthofix does not respond to
2 the distinction drawn by DJO between customers with whom Hunter and
3 Lemanski were involved on behalf of Orthofix, as those with whom they
4 were not. Instead, Orthofix simply offers arguments directed to establishing
5 the relevance and need for discovery as to Hunter's and Lemanski's former
6 Orthofix customers. [See e.g. 13CV2268-MMA(JMA) (S.D. Cal.), Doc. No.
7 7, pp. 6-8.] The request, therefore, is overbroad to the extent it calls for
8 records of persons or entities with which Lemanski was not involved in
9 sales on behalf of Orthofix, as Orthofix has not shown a substantial need
10 for this information. The same analysis and conclusion applies to records of
11 sales to customers with which Hunter was not involved while he was
12 employed by Orthofix.

13 As for Orthofix's request for sales records that precede Hunter's and
14 Lemanski's employment with DJO, these records are needed in order to
15 evaluate whether DJO experienced a change in sales of bone-growth
16 stimulators to Hunter's and Lemanski's former Orthofix customers after
17 they joined DJO; these records are necessary for the before and after
18 comparison to determine whether DJO's sales to these customers
19 increased after Hunter and Lemanski came on board. DJO argues
20 Orthofix's request for sales records that precede Hunter's and Lemanski's
21 employment with DJO is a "fishing expedition." As the court in
22 *Northwestern Mem'l Hosp. v. Ashcroft* colorfully noted, however, "and of
23 course, pretrial discovery is a fishing expedition and one can't know what
24 one has caught until one fishes [b]ut Fed.R.Civ.P. 45(c) allows the fish to
25 object, and when they do so the fisherman has to come up with more...."
26 *Gonzalez*, 234 F.R.D. 674, *quoting Northwestern Mem'l Hosp. v. Ashcroft*,
27 362 F.3d at 931 (7th Cir. 2004). Here, Orthofix has shown a substantial

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1 need for records of sales that were made prior to Hunter's and Lemanski's
2 employment with DJO such that it will be permitted to "fish" in these waters.

3 **B. Request No. 7**

4 Request No. 7 calls for:

5 All sold order or other contracts or agreements between DJO
6 and any of the following entities or anyone associated with
7 these entities that were in effect from January 1, 2011 to the
8 present:

- 9 (a) St. Ann's Hospital – Toledo, Ohio
- 10 (b) St. Vincent's Hospital – Toledo, Ohio
- 11 (c) St. Charles Hospital – Toledo, Ohio
- 12 (d) Wood County Hospital – Bowling Green, Ohio
- (e) Promedica Orthopedic and Spine Hospital – Toledo,
Ohio
- (f) Toledo Hospital – Toledo, Ohio
- (g) Flower Hospital – Sylvania, Ohio
- (h) St. Luke's Hospital – Toledo, Ohio
- (i) Orthopedic Institute of Ohio – Lima, Ohio

13 Orthofix subsequently agreed to narrow this request to only those
14 agreements that have been amended or replaced since Hunter and
15 Lemanski joined DJO, plus the previous version of any such agreements.
16 DJO maintains that even with this limitation the request is overbroad
17 because it seeks documents that pre-date Hunter's and Lemanski's
18 employment with DJO. Orthofix, it claims, has no substantial need to learn
19 what pricing and other confidential terms DJO negotiated with hospitals
20 without Hunter's and Lemanski's involvement, and to the extent Hunter and
21 Lemanski were involved in making sales on behalf of DJO to hospitals they
22 serviced while at Orthofix, this information would be disclosed in
23 documents produced in response to Request No. 1.

24 Hunter and Lemanski helped negotiate sold-order agreements with
25 customers while employed with Orthofix. Orthofix contends the defendants
26 used the confidential and trade secret information regarding this
27 negotiating process they acquired from Orthofix, including the specific
28 terms and pricing contained in these agreements and Orthofix's pricing

1 strategies, to help DJO negotiate sold-order agreements with many of their
 2 former Orthofix customers. Like changes in sales, changes in sold-order
 3 agreement terms could provide evidence of Hunter's and Lemanski's
 4 alleged use and disclosure of Orthofix's confidential information and trade
 5 secrets. The only way to evaluate whether Hunter and Lemanski used
 6 Orthofix's terms and pricing strategies to benefit DJO is to evaluate
 7 whether any changes in terms occurred after they joined DJO and, if so,
 8 what those changes were; therefore, documents pre-dating Hunter's and
 9 Lemanski's employment by DJO are relevant to Request No. 7, just as they
 10 are relevant to Request No. 1.

11 **C. Request No. 9**

12 Request No. 9 seeks "All 2011, 2012 and 2013 business plans,
 13 forecasts, sales projections, and comments regarding the customers on the
 14 list attached hereto as Attachment 1. According to DJO, "[t]hese
 15 documents are "among the most sensitive competitive documents that DJO
 16 creates... [and] provide a virtual blueprint to DJO's competitive activities."
 17 [13CV2268-MMA(JMA) (S.D. Cal.), Doc. No. 7-3, ¶ 11.]

18 Orthofix subsequently agreed to narrow this request to only those
 19 2013 plans, forecasts and projections which reference the sale of
 20 competitive products to Hunter's and Lemanski's former Orthofix
 21 customers, plus any older versions which mention recruiting Hunter or
 22 Lemanski to join DJO. Orthofix contends these documents would provide
 23 strong evidence of Hunter's and Lemanski's solicitation of their former
 24 Orthofix customers and their disclosure of Orthofix's confidential
 25 information and trade secrets. This information, Orthofix argues, will prove
 26 the effect that Hunter's and Lemanski's solicitation, use and disclosure of
 27 Orthofix's confidential information and trade secrets has had on DJO's

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1 sales, and changes in these projections will demonstrate the effects of their
2 involvement.

3 Orthofix has not demonstrated a substantial need to justify
4 compelling the disclosure of DJO's highly sensitive business projections to
5 its competitor. The relevance of discovery about what DJO planned to do
6 before Hunter and Lemanski joined, or what it plans to do going forward, is,
7 at best, tangential to the issue of whether Hunter and Lemanski breached
8 their non-compete agreements or misappropriated trade secrets. Request
9 No. 9 of the subpoena to DJO is, therefore, quashed.

10 **D. *Document Production Is Contingent on a Resolution of Any***
11 ***Dispute Regarding Orthofix's Identification of its Trade***
Secrets

12 DJO contends any discovery of documents that may be
13 relevant to Orthofix's trade secret misappropriation claim is premature
14 because in the *Lemanski* case, Lemanski contends Orthofix has not
15 provided a sufficient identification of its trade secrets. Any questions as to
16 whether Orthofix must identify its trade secrets with reasonable particularity
17 prior to discovery and, if so, whether it has done so, are matters for the
18 Eastern District of Michigan to resolve, assuming the parties are unable to
19 do so. If this is a pending issue in the *Hunter* case, the same analysis and
20 conclusion apply. The Court's order that DJO produce documents
21 responsive to the subpoena is, therefore, contingent on the resolution of
22 this issue, to the extent it exists, in the respective underlying actions.

23 **IV. CONCLUSION**

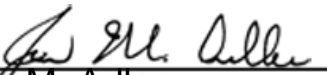
24 As set forth above, DJO's motions to quash Orthofix's subpoenas are
25 granted in part with respect to Request No. 1. With respect to Request No.
26 1, the Hunter subpoena is quashed to the extent it calls for records of sales
27 to persons or entities with which Hunter was not involved in sales on behalf
28 of Orthofix. Request No. 1 of the Lemanski is also quashed to this extent.

1 DJO's motions to quash are denied with respect to Request No. 7, and
2 granted in full with respect to Request No. 9.

3 DJO shall produce responsive documents within twenty-one calendar
4 days of entry of this order, or within twenty-one calendar days of the
5 resolution of any dispute between Hunter or Lemanski and Orthofix as to
6 whether Orthofix must identify its trade secrets with reasonable particularity
7 prior to discovery and, if so, whether it has done so.

8 **IT IS SO ORDERED.**

9 DATED: January 15, 2014

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11 Jan M. Adler
12 U.S. Magistrate Judge
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